

Amtrak's New Mission:

*Getting there the **Safer,**
Greener, **Healthier** way*

TO TRAINS



STRATEGIC GUIDANCE: OCTOBER 2009

Amtrak Values

Amtrak's new strategic direction and the goals we intend to achieve as we execute that direction begin and end with our values. Our values influence every aspect of our corporate life. Amtrak's priorities and decisions are products of our values, which each Amtrak employee must bring to his or her daily duties.

1. **SAFETY:** We focus our efforts to reduce risk and increase safety for our employees and customers.
2. **INTEGRITY:** We are a trustworthy and trusted partner in all matters.
3. **CUSTOMER FOCUS:** We continuously strive to anticipate our customers' needs.
4. **CONTINUOUS IMPROVEMENT:** We improve business processes continuously to support our mission and vision.
5. **TEAMWORK:** We respect and value each other as contributing individuals. We value constructive ideas, and work for common alignment on goals so that teamwork results.
6. **EMPLOYEE INVOLVEMENT:** Every job well done deserves respect. We take the time for employees to have a say in what and how they do their work.
7. **EMPLOYEE DEVELOPMENT:** We focus on human capital planning for our future.
8. **INNOVATION:** We encourage and develop good ideas.
9. **GOODWILL:** We value humor and perspective. They keep us in balance.

“Values are the core of our business – they underpin everything from the operating rules to the way we deal with our customers, and each other. We are America’s railroad, and so our values must be consistent with our great national values, and they must guide us as we strive to provide vital services for our country.”

Amtrak Board Member Nancy Naples



To Our Passengers, Partners and Friends

Over the next couple of months, you can expect to see something new when you board an Amtrak train. All across our system, you will find groups of Amtrak employees in hard hats working on the stations and along the right-of-way as your train passes. They are the backbone of a massive investment program that will make our system more durable, resilient, and accessible. This strategic overview will tell you something about what we are doing, and why and how we are doing it.

Amtrak is America's national passenger railroad, and we are entering an exciting and transformative chapter in our nation's transportation and rail service history — and in our own. We are at the heart of a vision and plan for the growth of passenger rail and the development of critical new regional service corridors designed by states and Amtrak in partnership to meet state and regional rail transportation needs.

This new strategic direction was established by Congress in Amtrak's 2008 reauthorization legislation, the Passenger Rail Investment and Improvement Act (PRIIA), and was robustly supported by the Obama administration through appropriations and the American Recovery and Reinvestment Act (ARRA). It supersedes Amtrak's 2005 Strategic Reform Initiatives which the company adopted in the absence of a Congressionally mandated policy, program and appropriations authorization. We now have that authorization, and it joins Amtrak, states and the freight railroads which own most of the existing rights-of-way in new partnerships to improve the speed and service quality of existing passenger services and to build new services for underserved and unserved communities and travelers.


This is a monumental task, but we are up to it. Amtrak has spent the last few years refining and improving its operations. We made the investments our infrastructure and our workforce need to move trains safely and reliably. Our moment has arrived, and I expect that everyone will do their best in the next couple of years to fill every minute with "sixty seconds worth of distance run." Nobody knows more about the needs of high-speed and intercity passenger rail in America than Amtrak's employees, and nobody wants to see the company succeed in our new national mission more than we do.

For those of you who are state, local and federal policymakers and those who work for or with our freight partners, these are going to be particularly rewarding years. You will see changes coming to stations, trains and the railroad as we invest to make our people, our system and our service safer, greener, and healthier. In some places, you're going to see Amtrak trains where they have never been before, and in others you'll see them moving at higher speeds. These improvements are the emblems of vision and progress toward a future that lowers emissions, cuts airport and highway congestion, and provides you with the mobility choices that will keep your towns and cities economically competitive.

This is a big need, and we're making a big promise. But I am confident in our management, proud of our employees, and above all, I am grateful for our supporters and passengers. You have stuck with us through the last

thirty-eight years, and have helped us meet the challenges of building our railroad. I am glad we're all here to welcome our great moment. Let's work together to make it count!

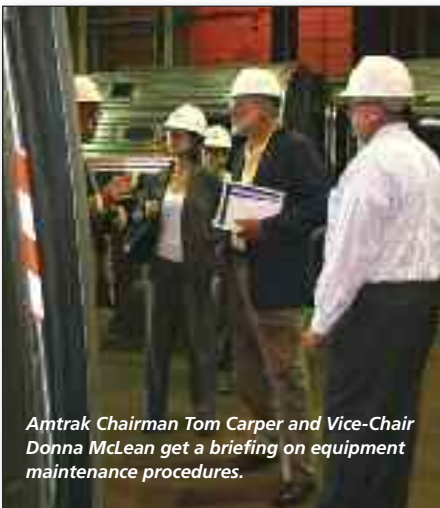
Sincerely,



Thomas C. Carper
Chairman of the Board



Board Chairman Tom Carper and Board Member Nancy Naples discuss the Key Performance Indicators.



Amtrak Chairman Tom Carper and Vice-Chair Donna McLean get a briefing on equipment maintenance procedures.

To Our Employees

Just over a century ago, as he looked back on the years he had devoted to the construction and operation of the Great Northern Railway, the great railroad builder James J. Hill said, “most men who have really lived have had, in some share, their great adventure. This railway is mine.” Today, we commemorate his name in one of our best-known trains, the *Empire Builder*. Looking ahead to the challenges before us, I think those words still apply: Amtrak is on the verge of a great adventure. I would therefore challenge you to rise as you have to so many occasions in the past thirty-eight years with all of the spirit, talent and skill that you display daily as we take up the work of remaking, renewing and rebuilding the railroad that will carry America into the future.

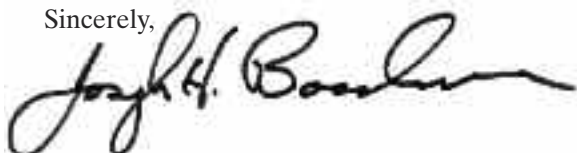
As you know, this is a time of great opportunity for Amtrak and for intercity passenger rail. Over the past year, we have seen extraordinary shifts in public policy. These shifts are a response to a decade of growth in demand, and they are the greatest opportunity we have ever had. We are doing a lot of work to rebuild the railroad and prepare for the future. Under these circumstances, it is appropriate for Amtrak to issue a statement that will explain what we plan to do to realize these opportunities in coming years. This document contains that statement.

This overview of our strategy provides a comprehensive description of how Amtrak’s board of directors and management intend to execute the new and challenging policies and programs Congress and the administration have laid out for us. It details their expectations for the manner in which we will do business. Because it is meant to provide us with strategic guidance, it integrates existing policies and plans with those that are in development, and provides a starting point for the preparation of future departmental or system guidance and planning. This document sets the goals we will have to meet in the years to come, and I expect that every employee will make every business decision with this in mind.

Every member of the company should read this booklet and think about what they can do to help Amtrak realize the goals we have set. This is a strategic overview, and as such, it is a start, not an end. If things go as planned, we will update this document in two years, which will be midway through our authorization period, and I expect to issue regular statements in the meantime to keep everyone informed of

our progress — and I anticipate a lot of progress! There will be a real need for good ideas in the years ahead. The men and women of Amtrak have a lot to contribute. I look forward to hearing your ideas and to working together to meet the challenges before us as we strive to move our railroad forward and meet the challenge of an expanded national mission.

Sincerely,



Joseph H. Boardman
President and Chief Executive Officer



Mr. Boardman greets Jeff Thomas of the Mechanical department on the platform at Washington Union Station.



Amtrak President Joe Boardman explains his leadership philosophy to Kevin M. Briscoe of Corporate Communications.

Executive Summary

Introduction

This summary provides a brief overview of Amtrak's mission, goals, progress criteria, and the strategies we will pursue through the end of FY 2013. It covers a variety of topics, and explains the key plans and concepts, allowing the reader to come away with a good understanding of what we intend to do, how we intend to do it, and how we will evaluate ourselves. All of these themes are developed in greater detail in the main body, which discusses the specifics of implementation and the details of the component plans.

Context

Since 2001, various economic and social trends have converged to create a strong and growing demand for intercity passenger rail service in the United States. Airport congestion continues to grow; fuel prices continue to rise; highway congestion has contributed to the growth in popularity of urban centers, many of which originally grew up around rail lines and junctions. Amtrak has posted record ridership numbers for several years in a row, and while the recession has affected ridership and revenues, we expect that over the long run, demand will continue to grow.

To address this expected demand, Congress passed the Passenger Rail Investment and Improvement Act (PRIIA) in 2008 and, at the urging of the Obama administration, included substantial funding for Amtrak and intercity passenger rail development in the American Recovery and Reinvestment Act (ARRA). PRIIA establishes a tripartite partnership for the establishment of new passenger rail service. The states plan for new service and provide operating funding, while the Federal Railroad Administration (FRA) integrates state efforts and administers a Federal capital matching program that will allocate funds to secure the public policy outcomes we desire — outcomes such as congestion relief, more and faster passenger rail transportation, economic development, and environmental quality. Amtrak will play a major leadership role, assessing and determining the prospects of proposed plans, and working with strong partner states to develop, implement and operate proposed services.

The legislation also reaffirms Amtrak's role of rail service provider; we will operate intercity passenger service on the existing national network, operate high speed services, operate and maintain the Northeast Corridor (NEC), and partner with the states to provide the resources and expertise they need to develop rail service nationwide. This strategy is designed to give our employees and other stakeholders the overarching direction they need to achieve this aim, and to explain our plans to our supporters and the riding public.

Mission and Goals

To realize this mission, Amtrak's board of directors and management have established six goals for the company to achieve as we execute our new mission. We are to be:

Safer: Operate the safest possible passenger railroad.

Greener: Increase efficiency, reduce emissions, and make better use of resources.

Healthier: Improve the condition, durability and wholesomeness of every aspect of the company.

Improve financial performance: Improve our bottom line.

Improve customer service: Improve the quality and attractiveness of our service for passengers.

Meet national needs: Help with disaster relief and mobilization efforts, and help advance national policies and plans.

We will advance these goals by improving the quality of existing service on the national intercity rail network and by partnering with states to develop new services or improve existing ones in a manner that advances the public policy needs and improves the indices we use to measure success.

Executive Summary

Criteria for Progress

Amtrak will use nine “Key Performance Indicators” (KPI) to track our progress toward attainment of these criteria. Each KPI is associated with one or more goals, and is linked to the internal evaluation process. Detailed discussion of linkages is contained in the main body of the document.

Efficiency Measures:

1. Cost per Available Seat Mile (CASM) - cost to move a seat one mile
2. Cost Recovery Ratio (CRR) - proportion of our expenses that are met with revenues
3. Passenger Miles per Core Employee - Total passenger miles divided by employees in core business lines
4. Revenue per Available Seat Mile (RASM) - income produced by moving a seat one mile

Effectiveness Measures:

1. Safety Ratio - number of reportable injuries per 200,000 man-hours of work
2. Customer Service Index (CSI) - survey-generated measure of performance
3. Host Railroad Performance - minutes of delay per ten thousand train miles
4. On-Time Performance (OTP) - percentage of trains that arrive at their destination within the “threshold of tolerance” for delay
5. Ridership Growth - percentage of increase (or decrease) in riders

Investment and Management Plans and Strategies

To ensure that our business processes remain effective, that the railroad and equipment are maintained in a state of good repair, and that our employees and organization are healthy and satisfied, Amtrak will

implement a group of management strategies designed to address its long-term needs. It will manage its capital investment to secure needed improvements. Training, succession, and safety issues will be addressed with a human capital management plan and a behavioral safety program. New equipment and infrastructure replacement plans will ensure the railroad is brought to a state of good repair, and that equipment is replaced when it reaches the end of its useful life. Business processes will be brought up to date, and new information technologies will be procured and phased-in in a manner designed to minimize disruption, maximize customer satisfaction, and ensure vital continuity and success for our modernization program. Most importantly, these plans will be overseen

and integrated by our leadership to ensure not only successful accomplishment, but sustainability. We must be dedicated to improvement, and work now to ensure that much-needed changes can be initiated and institutionalized without risk of disruption, delay, or diversion.



High horsepower electric engine 662 heads a 125 mph Regional train on Amtrak's Northeast Corridor.

The Context for High-Speed & Intercity Passenger Rail

The National Railroad Passenger Corporation was authorized in 1970, and opened for business on May 1, 1971. At the time, rail ridership was declining and it was not clear that Amtrak or the passenger train had much of a future. Although some supporters had ideas about what the company should do, its mission was not clearly defined, and many saw it as merely a dignified end to a historic enterprise. The U.S. Department of Transportation had partnered with Penn Central Railroad to develop *Metroliner* service on the newly designated Northeast Corridor (NEC), but throughout much of the network, Amtrak struggled to sustain passenger service while dealing with the realities of an aging fleet and deteriorating infrastructure.

In spite of these difficulties, Amtrak survived and made some real improvements to intercity rail service. Terminal arrangements were rationalized in Chicago, and new equipment was put into service. Most importantly, Amtrak took over the NEC from Penn Central in 1976, and began a program of investments and improvements that ultimately produced a successful high-speed passenger rail route between Washington, New York, and Boston. Over the years, trip-time reduction projects and advanced equipment have significantly improved service. We have pioneered healthy and growing services in the Northeast, the Pacific Northwest, California, and the Midwest. In spite of the challenges of survival and an existence that was sometimes hand-to-mouth, the company never lost sight of a hope it has always embraced - to sustain and improve intercity rail travel. Since 2001, social, economic and environmental trends have also attracted riders and highlighted the urgent need for more and better intercity rail passenger service in America. Most importantly, we now have a mission and a clear set of policies to guide us, for the recent passage of the PRIIA provides us with the blueprint we need.



Photo: Bob Johnson

President-Elect Barack Obama and Vice President-Elect Joe Biden on Amtrak's Inaugural Train en route to Washington, January 2009.

Leadership for Development

The new role for intercity passenger rail has been strongly articulated by Federal and state officials in recent years, and has been embraced by the Obama administration. In March 2009, Vice President Biden drew pointed attention to the need for investment, saying, “for too long, we have failed to make the investments we should have been making in Amtrak, in order to provide the kind of reliable and secure intercity rail service we need.” He said this while announcing funding for Amtrak as part of the American Recovery and Reinvestment Act (ARRA) at Washington Union Station, one of two landmark pieces of legislation that will reshape national rail policy. This legislation, along with the definitive PRIIA, provides the funding and policy prescriptions for the nation’s intercity rail passenger rail program.

In early 2009, the administration produced a guidance document titled *A Vision for High-Speed Rail in America*. This statement sets four objectives for high-speed and intercity passenger rail:

- Ensuring safe and efficient transportation choices
- Building a foundation for economic competitiveness
- Promoting energy efficiency and environmental quality
- Supporting interconnected, livable communities

These federal objectives illustrate the broad policy aims Amtrak’s own planning will support.

The Context for High-Speed & Intercity Passenger Rail

A Blueprint for Action

Federal intercity passenger rail policy is established by PRIIA, which authorizes Federal matching grant programs to finance capital investment in intercity passenger rail and high-speed corridor development. These programs are the first step toward a truly multi-modal transportation policy, and will go a long way toward reducing the cost of rail investment programs to states. For the first time, PRIIA links capital grants to desired public policy outcomes, requiring applicants to show demonstrable results, such as congestion mitigation or pollution reduction.

To accomplish these ends, PRIIA assigns the role of strategic planner to states, while Amtrak leads operational planning efforts. State Departments of Transportation are required to prepare rail plans and provide operating support for new services. The Federal Railroad Administration (FRA) will coordinate state plans and administer the Federal capital grant program, while Amtrak operates services for the states, operates the national system and the NEC, and provides the expertise, equipment, and supporting infrastructure required for the development of new services.

A Moment of Opportunity

The moment for intercity passenger rail has arrived — and a combination of targeted public investment, wise leadership at the state and Federal level, and hard work will be needed to build and improve the intercity passenger rail transportation system. This will be the work of decades, not years, but the investment decisions we make now will be of critical importance, for they will strongly influence all subsequent development. The stakes are high, and the nation's need for transportation alternatives is very real. We must work closely with our partners to ensure we are making the investments that will build and sustain the national intercity passenger rail system, and will provide the nation the solutions it needs to address the transportation, energy, and environmental challenges it faces.

To succeed, we will have to develop a strategy for growth, a strategy that will meet public policy objectives by delivering safer, greener, and healthier transportation. We must develop a set of core business plans that will guide our internal development, while pursuing the performance objectives that will deliver the growth and improvement America needs.



Passengers relax in comfort on a Hiawatha Service train between Chicago, Ill. and Milwaukee, Wis.

Realizing Our Opportunity

“Amtrak is the nation’s only high-speed rail provider. When it comes to electrified operations, fleet and track maintenance, experience with FRA standards and industry ‘best practices,’ signaling, train control and project management, our company is more than a leader - it’s the only train in the block!”

Board Chairman Tom Carper

A mtrak is America’s intercity passenger rail provider. PRIIA assigns many roles to our company. We are the:

- Operator of the national intercity passenger rail network
- Operator and steward of the Northeast Corridor
- Operator of high-speed rail (HSR)
- Partner of choice for intercity passenger rail development

Our mission is to perform these four roles with the maximum attainable efficiency and to operate high quality service that is cost and trip-time competitive with other modes, while maintaining vital transportation services to regions that need them. In addition to our current operations on the NEC and the intercity network, we must partner with the Federal government, states and freight railroads to lead the development of needed high-speed rail corridors and intercity passenger services across America.

Amtrak’s role in these partnerships will be that of planner, service provider and expert adviser. With Amtrak’s help, the states will strategically plan rail service and the federal government will integrate state plans into a national plan and administer the capital grant program. Amtrak will bring knowledge, expertise, and capacity to these partnerships. Our network of interconnected and complementary routes in 46 states, three Canadian provinces and the District of Columbia will be the foundation for future growth. We must leverage this system, its supporting infrastructure and facilities, and our access rights and liability protection to remain the provider of choice for high-speed and intercity services.

In addition to funding authorized by PRIIA, Congress provided \$8 billion in intercity and high-speed passenger rail funding as part of the ARRA. This will begin funding the PRIIA vision and the associated grant programs, and it will require close cooperation between Amtrak and the states to accelerate the pace of development and investment. Amtrak can apply for ARRA funding on its own or in partnership with individual states or groups of states. Funding will be used to begin to develop both intercity and high-speed service, and Amtrak will invest in both conventional and high-speed projects.

Amtrak must leverage its experience as a HSR provider on the NEC to support projected growth in new high-speed services. Almost half of our daily trains (and 5 of our 16 long-distance trains) operate for portions of their trip at speeds in excess of 100 mph, and we maintain almost a thousand miles of track for service at those speeds. More than half of our Mechanical department and an overwhelming proportion of our Engineering department are employed in the maintenance and repair of high-speed equipment and infrastructure. Our unique experience with the construction, maintenance and operation of high-speed rail under American conditions will bring inestimable benefits to our partnerships with states for the development of high-speed services on new and existing routes.

Evaluating Success

Amtrak’s intent is to constantly improve passenger service. If we deliver the trip-time and capacity improvements, improve the quality of our service and the safety of our operations, these developments will be reflected in our Key Performance Indicators (KPIs). A “dashboard” of nine KPIs will track our progress for the board of directors. Four of these are efficiency measures; five are effectiveness measures (see Table 1, page 12). Efficiency measures track our progress toward a cost-effective organization, while effectiveness measures track improvements in operations and organization.



The National Intercity Passenger Rail System



Realizing Our Opportunity

| Efficiency Measures | Effectiveness Measures |
|---|---|
| <ol style="list-style-type: none"> 1. Cost per Available Seat Mile (CASM) 2. Cost Recovery Ratio (CRR) 3. Passenger Miles per Core Employee 4. Revenue per Available Seat Mile (RASM) | <ol style="list-style-type: none"> 1. Safety Ratio 2. Customer Service Index (CSI) 3. Host Railroad Performance 4. On-Time Performance (OTP) 5. Ridership Growth |

Table 1. Key Performance Indicators

All of the efficiency and effectiveness measures relate to our corporate goals and provide the basis for benchmarks that will measure improvement. Each of our six goals (see page 6 and pages 20-32) incorporates one or more KPIs; improvement in those KPIs translates into both goal attainment and general improvement of the company. In the near term, all of these measures are used to track performance. They will also be used to evaluate management. To ensure leadership attention and efforts are properly focused, Amtrak is introducing an evaluation system for management employees that ties individual performance assessments to KPI performance benchmarks. Managers will be individually responsible for the company's attainment of specific KPI benchmarks, and the executive team will be collectively responsible for the company's performance against the whole slate of efficiency and effectiveness measures. This system will ensure our managers remain committed to the attainment of specific objectives that are their day-to-day responsibilities, as well as the attainment of the larger corporate goals.

Business Lines

Amtrak divides its rail operations into three Business Lines — the Northeast Corridor, the short-distance corridor network, and our long-distance trains. The NEC and short distance corridors are operations that cover fewer than 750 route-miles. We must invest to ensure that these operations offer service that is cost and trip-time competitive. The long distance services range in length up to about 2,500 miles, and provide vital network connectivity, additional train departures on corridor services and transportation to regions that are underserved by competing modes.

Northeast Corridor: The NEC, heart of the Amtrak system, is one of the most advanced and complex pieces of railroad in the world. The 457-mile route requires the preponderance of our capital for maintenance of infrastructure for 125-150 mph service, and carries more than 150 of our 310 daily trains. Its financial performance is



Realizing Our Opportunity

vital to Amtrak, and we must invest to sustain reliability and competitiveness. We will collaborate closely with our Northeast partner states to ensure that the Corridor can meet the needs of all its users and that key operational and safety needs such as Positive Train Control (PTC) are implemented.

Short-Distance Corridors: We see the short-distance routes (particularly those ranging from 250 to 750 miles in length) as a natural market, one in which rail service can offer travelers a time-competitive alternative to other, more congested modes. Amtrak is prepared to partner with any state to undertake the program of investment and support that such a developing corridor will require. These projects could take many forms, including:

- High-speed service on dedicated tracks or lines
- New corridor services on existing lines
- Trip-time and capacity improvements to existing corridors

The states will lead this process; Amtrak will provide the expertise to support their efforts. Initially, our support will take the form of planning assistance. As the intercity passenger provider of choice, Amtrak has an unparalleled understanding of the mechanical, operational, and engineering requirements of corridor service. We are ideally positioned to provide states the collaborative planning support they will need to create feasible rail plans that will win the approval of freight partners and the FRA. Key needs such as stations, administrative support, host railroad partnerships, and regulatory requirements are also areas where Amtrak's unique expertise will be valuable to our partners.

Because these services will not be a break-even proposition, PRIIA assigns responsibility for operating support to the states. The capital investment program will be administered by the FRA, which has recognized that there are differing levels of need, commitment and experience. To address these varied needs, the FRA has established a multi-tiered program that can address planning needs and smaller capital requirements, as well as the large-scale integrated investment programs envisioned by PRIIA. We must also work with the states to ensure we invest in equipment to build a flexible reserve of capacity, and that we facilitate any equipment purchases they wish to make, so that needs such as compatibility are addressed. We will need this equipment to maintain our fleet (a key competitive advantage) and expand our corridor operations. New equipment must be interoperable and commercially attractive, and it must come in sufficient quantities to realize economies of scale in maintenance. It must meet the requirements of the states developed through the "Next Generation Corridor Equipment Pool Committee" established by PRIIA. If state operating support and Federal capital funding are forthcoming, Amtrak envisions



Passengers on the Amtrak Cascades service have enjoyed the scenic views of Puget Sound from the comfort of sleek Talgo trains since 1997.

“Many of us are second –and third –generation railroaders. It’s our life and it’s been a good life for us and our families. We are proud of our company!”

John McCloskey, Sheet Metal Worker, Bear Shops, Del.

Realizing Our Opportunity



Eastbound Amtrak Train 30, the Capitol Limited, descends the eastern slope of the Allegheny Mountains at Mance, Pa., amid the splendors of an Appalachian fall.

approximately eight service expansions, two new state partnerships and improvements to state financial support through improved cost allocation and full state support of new services.

Long-Distance Trains: Our long-distance trains are vital, both to Amtrak and the communities they serve. They are the sinew that ties our network together. Furthermore, they provide basic transportation to many areas that have a limited range of airline and intercity bus service choices. In some cases, Amtrak will consider expansions of long-distance routes, if proposed changes serve a clear public service purpose and a definite transportation need. Any decision to expand long-distance service will consider the following:

- Support of the states and communities along the route
- Market for service, with corresponding positive revenue and ridership impacts
- Opportunities for growth, connectivity, and service improvement
- Available funding
- Equipment availability

Performance Benchmarks

Amtrak has developed a “performance benchmark” for each of the nine Key Performance Indicators, and these benchmarks will provide the annual performance targets (some are still in development). The movements of these numbers and our attainment of the annual benchmarks will provide management and the board with an assessment of the company’s performance. In addition to the annual targets shown here, the *FY 2010-2014 Financial Plan* contains statements of the budgetary and investment targets Amtrak must meet if it is to operate and maintain an organization capable of delivering these results, meeting our goals, and delivering on our promise of a safer, greener, and healthier system.

To that end, we have carefully chosen a slate of performance indicators that describe the vital traits of our rail road. These tell us what the organization looks like, and when these indicators are moving in the right direction,

Realizing Our Opportunity

| | FY 10 | FY 11 | FY 12 | FY 13 |
|--|---------|---------|---------|---------|
| Cost per Available Seat Mile (CASM) | \$0.231 | \$0.240 | \$0.251 | \$0.261 |
| Cost Recovery Ratio (CRR) | 75% | 76% | 76% | 76% |
| Revenue per Available Seat Mile (RASM) | \$0.173 | \$0.182 | \$0.190 | \$0.199 |
| Safety Ratio | 2.0 | 1.8 | 1.6 | 1.3 |
| Customer Service Index (CSI) | 84 | 86 | 88 | 90 |
| On-time Performance (OTP) | 82% | 82% | 82% | 87% |
| Ridership | 27,501 | 28,500 | 29,700 | 30,705 |
| Passenger Miles per Core Employee | 30 | 31 | 32 | 33 |

RASM and CASM and CRR are calculated for core operating expenses.

Table 2. Key Performance Indicator Benchmarks

they tell us that the company is becoming safer, greener, healthier, and more efficient. These indicators are important, and when we make major decisions about investment and spending, we will consider the effect on the KPIs beforehand, to ensure we're making the right strategic decisions. In some cases, we may want to take a course that will cause an unfavorable impact on one or more KPIs; when we do so, we will do it to obtain a favorable (and more desirable) effect on other KPIs. Tradeoffs of this kind are unavoidable, and we must make such decisions carefully to ensure that the totality of the effect will be favorable.

Naturally, the KPIs will be affected, and could be strongly affected, by external economic and social forces. For this reason, the benchmarks included in this document represent the most conservative of several planning cases and will be subject to stringent periodic review. Amtrak intends to issue an updated and revised version of this overview in two years to ensure that our public strategy statements remain as congruent as possible with our evolving plans and the broader economic and social conditions of the business. In the short term (over the next two to three years), we fully expect that the need to staff up for growth will combine with poor national economic conditions to move some of our financial KPIs in an unfavorable direction. These trends must be balanced against the opportunity for countercyclical investment, the need to hire so that we can implement our portion of the recovery program, and the desire to have infrastructure and equipment ready for the opportunities we expect to see when the economy emerges from the current recession.



Rigorous evaluation and careful assessment will be vital components of our plans for improvement, expansion, and extension of service.

Realizing Our Opportunity

Investment and Spending Plans

Amtrak's core resources are people, equipment, infrastructure and funding. To attain our goals, we must make the investments in our employees and our system that will allow us to fund and operate services in a manner that improves our KPIs. Amtrak's internal plans encompass:

- ❑ Human Capital Plan
- ❑ Capital and Operating Funding Plan
- ❑ ARRA Investment Plan
- ❑ Infrastructure Plan
- ❑ Business Process and Information Management Plan
- ❑ Equipment Plan

Human Capital Plan

People are our most valuable asset. Our Human Capital Plan is designed to ensure that our human capital priorities and resources are aligned with the strategic plan, and that human capital strategies are linked to KPIs. In addition to ensuring that current needs are provided for, the plan is intended to identify and manage the talent, demographics and diversity of the company as it prepares for the pending generational transition. More than half of Amtrak's workforce is over the age of fifty, including more than 60 percent of managers – meaning that a large round of retirements will come within the next 10 years. Our workforce planning must address demographic profiles, staffing needs and departmental requirements in order to manage this transition successfully. The Human Capital Plan is currently in development and should be completed by the end of calendar year 2009.

Amtrak's employees comprise a dedicated force of men and women. Amtrak has worked hard to create a workplace with an emphasis on inclusion, innovation and merit, rooted in the Amtrak values and respect for our colleagues and the nation we serve. We will treat people with dignity and respect, fairly evaluate their ability, performance and commitment, and provide them with the corresponding opportunities they need to grow and excel. We will provide our employees with improved feedback on performance, a careful alignment of individual performance targets with broader corporate goals, and a clear and comprehensive understanding of the relationship between the two. Talent management systems must be improved and developed to manage learning; develop leadership and supervisory skills; identify, hire and train new employees; manage diversity; build a culture of performance and accountability; and ensure recognition and rewards are distributed to the deserving.

We must make every effort to preserve our standards of accountability and integrity. These core standards are defined by the Amtrak Values, and must be incorporated in every effort as we strive to continually improve and adjust our expectations and attitudes where they can be improved to build a healthier Amtrak, to ensure the well-being of our employees, and to build modern processes that will allow us to adapt to a changing world. Projects with such varied purposes as the Strategic Asset Management program and the Safe-2-Safer initiative have strong cultural components and these must be coordinated to ensure our employees receive and retain a clear, accurate and consistent understanding of our plans and goals. We must work closely with our labor partners to ensure that the voices of our employees are heard, that their interests are taken into account, and that they are trained, managed and employed appropriately.

Finally, we must manage the company so that we provide our employees with the tools and the conditions they need to do their jobs well, and managers must and will be accountable for performance. We will, for



A graduating class of conductors at the Amtrak High-Speed Rail Training Facility.

Realizing Our Opportunity

example, invest heavily in maintenance facilities in the coming years to ensure that we can keep our fleet in good condition. We will also work to improve on-time performance, and getting our trains over the road on schedule; this will not only make our services intrinsically more attractive, it will allow us to ensure that our employees have the time and the conditions required to maintain and service equipment.

Capital and Operating Funding Plan

Amtrak's operating budget is largely supported by the company's revenues — in 2008, revenues funded 85% of our operating costs. The balance of Amtrak's operating cost needs and the preponderance of its capital funding are authorized by PRIIA for the 2009-2013 timeframe, and are appropriated by Congress on an annual basis. PRIIA authorizations for this five year span total \$2.9 billion in operating funding and \$5.3 billion in capital funding. Amtrak's appropriations for both operating and capital funds are provided to the company through grant agreements administered by the FRA, and our budgeting plans are detailed in our *FY 2010-2014 Financial Plan*.

ARRA Investment Plan

In addition to the \$8 billion for intercity passenger rail and HSR, ARRA provides a \$1.3 billion grant to Amtrak from the FRA for investment in the intercity passenger rail system. Of this, \$850 million will be invested in capital projects, while \$450 million will be invested to improve the safety and security of the system. The law requires that all projects funded by this grant be completed by February 2011. Full details about the investment program are contained in the “[ARRA Narrative Summary Report](#)” and the associated project lists. Those documents explain our plans for investment of stimulus funds in our infrastructure, fleet, safety, security and accessibility, and are kept up-to-date to reflect the progress of work, as well as any changes in project status.

Infrastructure Plan

Amtrak will invest in infrastructure (its own or host railroads') to sustain existing levels of service, to build capacity needed for growth of existing services and to support new services. The objective for Amtrak-owned infrastructure is defined as “a state of good repair.” Every item of equipment or infrastructure should be maintained then replaced when it reaches the end of its useful life. Amtrak is responsible for the condition of most of the Northeast Corridor, the Harrisburg and Springfield lines, hundreds of station and yard facilities in major urban hubs, and its 96-mile Michigan line. The capital investment these assets will require is stated in the *Northeast Corridor State of Good Repair Spend Plan* Amtrak submitted to the U.S. Secretary of Transportation on April 15, 2009. This report details the costs to replace infrastructure as it reaches the end of its useful life and the sums required to eliminate



The 102 year old Niantic River drawbridge will be replaced – and ARRA money will help fund the job.



U.S. Rep. John Mica leads the groundbreaking ceremony at the Sanford, Fla. station in May 2009.

Realizing Our Opportunity

the backlog of items that have already reached the end of their useful lives.

Investments in host railroad infrastructure will generally be made in partnership with states and the host railroads, and will develop capacity or physical improvements needed for reliable and trip-time-competitive passenger service.

Business Process and Information Management Plan

Amtrak is undertaking four parallel programs which will replace obsolete technologies and transform business processes that are in many cases decades old. The first, known as Strategic Asset Management (SAM) addresses operational and asset management processes vital to the railroad. At an estimated total cost of \$335 million, it will bring us into compliance with PRIIA, modernize outdated business processes and save an estimated \$71 million per year in operating costs. The second deals with customer-facing marketing and sales processes such as e-ticketing and pricing and revenue management. This costs \$50 million, and should be completed by 2013. The third program, Amtrak Information Modernization, builds data warehousing and enterprise-wide information services. This will cost \$38 million and will be completed in 2011. Finally, the Information Technology Infrastructure Improvement Program will re-engineer the company's data centers, network architecture and support functions. This will save \$5 million a year and should be completed by 2010. The overarching strategic roadmap for these four programs and their supporting initiatives is the Amtrak Enterprise Architecture. The programs are a top priority, and will be managed by the Executive Strategic Systems Steering Committee to ensure successful integration and implementation: a recent detailed overview of plan, process, and objectives is available in the most recent *Quarterly Update on Key Information Technology Programs*.

These initiatives encompass more than the information technology system. By the time implementation is complete in 2013, they will accomplish a fundamental transformation of business processes that badly need improvement, and in some cases predate Amtrak. We will introduce important innovations such as e-ticketing, automated onboard food and beverage sales, and we will bring Wi-Fi access to our *Acela Express* trains. Because of the complexity, difficulty and the impact on structure and culture, we must support and sustain the integrated transformation process throughout the duration of the implementation period.

Equipment Plan

At the end of FY 2009, Amtrak's equipment fleet will include 1,457 cars, 341 diesel and electric road locomotives, 22 non-powered control units, and 25 trainsets. This fleet is a unique competitive advantage for Amtrak. It can provide surges of capacity in response to changes in demand such as seasonal traffic or disaster relief needs. Equipment requires continuous maintenance and cannot be purchased on the spur of the moment. Mechanical features and qualities can affect revenues and costs for decades. For these reasons, the



An Amtrak customer uses one of our popular Quik-Trak machines – a user-friendly innovation that has shortened lines and eased the task of ticket agents across the system.



Our AEM-7 electrics have served Amtrak long and well, but they are aging and will soon require replacement.

Realizing Our Opportunity



Talgo Bistro cars on Amtrak's Cascades Service set a standard of comfort and style we will maintain when selecting the next generation of passenger equipment.

fleet requires sound maintenance practices, and it must be sustained by timely acquisition of new equipment. We must also ensure that we spread future equipment acquisitions over a period of years, so that they are a continuous activity, rather than periodic events. This will allow us to develop, exercise and maintain vital organizational capabilities such as design and procurement. A comprehensive fleet plan, which will detail these activities, will be published as part of Amtrak's forthcoming *FY 2011 Grant and Legislative Request*.

In recent years, a number of factors have complicated procurement plans: there are few remaining domestic passenger equipment manufacturers, and our capital budget is dependent on an annual appropriation, making budgeting and contracting difficult. In recent years, the lack of a domestic supplier market has combined with high costs to keep production runs relatively small, and purchases were financed with debt. Amtrak has worked hard in recent years to reduce debt and improve its creditworthiness to prepare for a new round of equipment procurement. Under PRIIA, Amtrak has formed the "Next Generation Corridor Equipment Pool Committee" in partnership with several state Departments of Transportation and the FRA to ensure we obtain the equipment our state partners need. This committee will develop specifications for the equipment for corridor routes, and will recommend financing and ownership models.

Care must be taken to ensure that equipment will be fully compliant with the Americans with Disabilities Act and will be comfortable and attractive to all of our customers. The next round of procurement must select for:

- ADA compliance
- Mechanical durability and simplicity
- Compatibility with existing equipment
- Utility for a range of speeds and service types
- Comfortable interiors
- Improved amenities

Safer

“At Amtrak, safety is more than a goal - it’s a way of life.”

Board Chairman Tom Carper

Safety is the overarching strategic goal of Amtrak. Safe operations are the foundation of economical and effective railroading. They protect and sustain passengers, employees and services. Amtrak has a responsibility to ensure that it is as safe as we can make it. To attain that goal, Amtrak must undertake two major changes, while sustaining the existing pattern of continual improvement. We must institutionalize a program to strengthen our safety culture that we call Safe-2-Safer, and we must implement Positive Train Control (PTC) across the system. PTC will increase the safety of train movements; the safety culture program will be more fundamental. We have embarked on a program that’s designed to change the way we think about safety. Safety has always been important, but we need to make it more than a priority or a goal. Safe behavior must become something that we do both consciously, as we choose clothes or order a meal, and subconsciously, like a well-trained reflex reaction to the conditions of our working lives.

The Safe-2-Safer program will undertake detailed examinations of culture and performance, and will create and implement effective programs aimed at the enhancement of leadership practices and workplace behavior to ensure operating methods are safe and effective. The process incorporates leading and precursor measures to address potential accidents before they occur. We will directly measure the success of the program in terms of its effect on the injury rate and through the traditional metric of the reportable injury ratio. We will also ensure that vital and successful programs such as Operation Red Block, our safety audit program, the cross-functional safety teams, our System Safety Team, and the Chemical Task Force will continue to reinforce our performance.

Positive Train Control is an information and communication system that improves traditional collision prevention measures and adds an entirely new layer of protection by enforcing permanent and temporary speed restrictions. The full implementation of PTC on all passenger routes as required by the Rail Safety Improvement Act (RSIA) of 2008 will be the single most important improvement we will make to enhance the safety of our train operations in our lifetimes. Amtrak currently has a PTC system known as the Advanced Civil Speed Enforcement System (ACSES) installed on Amtrak-owned portions of the Northeast Corridor (NEC) north of Baltimore, Md. Amtrak will extend ACSES on the remainder of its NEC trackage. In addition, agreements will provide for the introduction of ACSES on those portions of the NEC and the Empire Corridor (Albany-New York) that are operated by Metro-North Commuter Railroad.

Amtrak will complete the installation of ACSES on its NEC lines ahead of the statutory deadline of December 31, 2015. Outside of the Northeast Corridor, Amtrak has been working with the FRA and the Michigan Department of Transportation (DOT) on the Incremental Train Control System (ITCS) PTC project on Amtrak-owned trackage between Porter, Ind. and Kalamazoo, Mich. Amtrak will also ensure its trains are compliant with PTC systems adopted by host railroads for use on infrastructure it does not own.

If our safety programs are our best defense against accidents, our security program is designed to protect travelers and employees against attack and respond to, or recover from, natural or manmade disasters. Amtrak will continue to pursue a policy designed to secure our system and vital infrastructure through a series of layered measures designed to deter, detect and prevent a security-related incident and plan for rapid response and recovery if one occurs, while maintaining an open, convenient and robust national rail system. Amtrak will seek to preserve the openness of passenger rail while at the same time enhancing the security of the system against future potential disruption through the integration of its efforts with those of our public and private

“Our signal system is the best you can get!”

Ed Doyle, Communications & Signal Foreman, New England Division

sector partners. Interoperable security procedures and shared technology solutions will help to foster a more robust and resilient passenger rail system that is able to recover quickly from disruptions to its operations.

Resources

In addition to the capital and operational funding for safety and security programs which is detailed in the [FY 2009 Amtrak Budget](#) and the [FY2010-2014 Financial Plan](#), Amtrak has received a capital support package for safety and security initiatives as part of the ARRA. While ARRA funding will cover a significant part of the expense of PTC installation on Amtrak-owned infrastructure, additional funding (as detailed in Amtrak's [FY 2009 Grant and Legislative Request](#)) will need to come from the Federal government.


External Factors

A number of external factors outside of Amtrak's control could hinder or impede our plans to improve the company's safety record. Possibilities include:

- PTC implementation could prove more challenging than anticipated
- Funding for PTC is not guaranteed, and could be inadequate to meet deadline
- A major increase in employee retirement rates could stress our training system

Measuring Success

Amtrak will undertake a number of initiatives, such as PTC implementation and our Safe-2-Safer program as a part of our overall safety effort. We will continue to track major metrics such as the cultural diagnostics associated with the Safe-2-Safer program. The real success of our safety program will, however, be measured principally through the most important of our Key Performance Indicators — the safety ratio.



“Our greatest charge, our most precious obligation, is entrusted to us in the form of our passengers. Their lives are our responsibility, and we cannot ever fail them.”

President and CEO Joe Boardman

One of our smaller passengers naps in safety and comfort aboard a Superliner sleeping car.



The Amtrak Coast Starlight crosses the Santa Lucia mountains near San Luis Obispo, California on its daily run between Seattle, Washington and Los Angeles, California.

“What was once deemed an old, outmoded transportation alternative has finally become ‘new’ again!”

Brian Gallagher, Locomotive Engineer, Empire District

Environmental concerns and energy independence are two major national issues and they are important to the transportation industry. The spike in gas prices in the summer of 2008 contributed to Amtrak’s record ridership and the growth in ridership on rail and transit systems nationwide has focused public attention on the need for a more widely available and robust passenger rail system as a component of a balanced national transportation system.

The Obama administration’s *Vision For High-Speed Rail In America* declares that the transportation policies of the 21st Century must promote energy efficiency and environmental quality. Amtrak can help achieve these outcomes. Amtrak enjoys natural energy efficiencies because railroads are a low-friction, low-energy form of transportation. Amtrak’s energy consumption per passenger mile compares favorably with competing intercity modes such as the automobile and the airplane. A typical Amtrak corridor train has the same capacity as six or more 50-seat regional jets, and that capacity can be increased by adding passenger rail cars — an increase that also improves efficiency. On our electrified Northeast Corridor, eighty percent of our electric locomotive fleet is now equipped with regenerative brakes, which can return up to 8 percent of the power they use to the electrical grid as electricity.

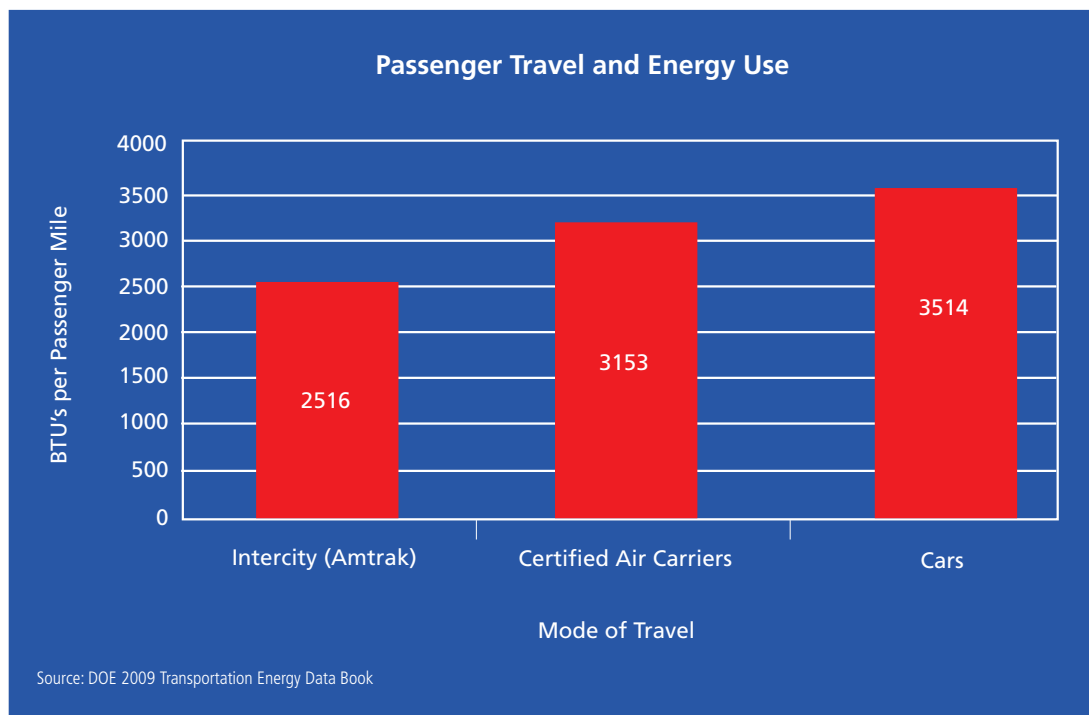


Figure 1. Energy Intensity of Selected Modes of Travel

Important as energy efficiency is in an era marked by high oil prices, it is not the sole advantage rail enjoys over the other modes of travel. Lower fuel consumption translates into fewer greenhouse gas emissions. While transportation is responsible for more than a quarter of America's greenhouse gas emissions, railroads are responsible for only three percent of transportation-related CO₂ emissions — and passenger rail (commuters and Amtrak) is responsible for only about two-tenths of a percent of the industry total. Every year, Amtrak removes eight million cars from the highways and eliminates the need for 50,000 fully loaded airplanes. Amtrak's annual ridership has grown every year between 2000 and 2008; over the same period, diesel fuel consumption and CO₂ emissions have been reduced. The average fuel consumption over the baseline years 1998-2001 (correcting for the end of Amtrak's operation of the MBTA commuter service in June, 2003) was 70 million gallons. As of FY 2008, diesel fuel consumption and CO₂ emissions had fallen by 8.5 percent. Ridership, in contrast, rose more than 27 percent in the same period.

We can improve this performance with targeted programs. Amtrak is a charter member of the Chicago Climate Exchange, and has voluntarily committed to reducing greenhouse gas emissions by 6 percent from 2003-2010 — which is the largest voluntary reduction commitment in the United States. Amtrak is meeting its annual targets, and is also working hard to reduce energy consumption. Ongoing training programs promote more efficient operating practices, and the Mechanical Department is also pursuing equipment improvements that will further reduce fuel usage. Electrical energy use on the Northeast Corridor is also targeted for improvement, and we are introducing energy efficiencies through our building and facility programs. We will extend recycling programs to all our trains, offices and facilities, and we will seek out independent expert analysis to integrate best practices into our efforts.

In addition to our ongoing programs, Amtrak will lay the foundation for a more carbon-efficient rail system through additional and targeted infrastructure investments. One component could be electrification — a potential solution for efficient and emission-free travel. Amtrak currently derives about 12-15 percent of the power for its electrified Northeast Corridor from hydroelectric or other non-fossil fuel sources. Amtrak intends to explore electrification where it makes sense to do so and to procure low-emissions internal combustion locomotives and equipment.

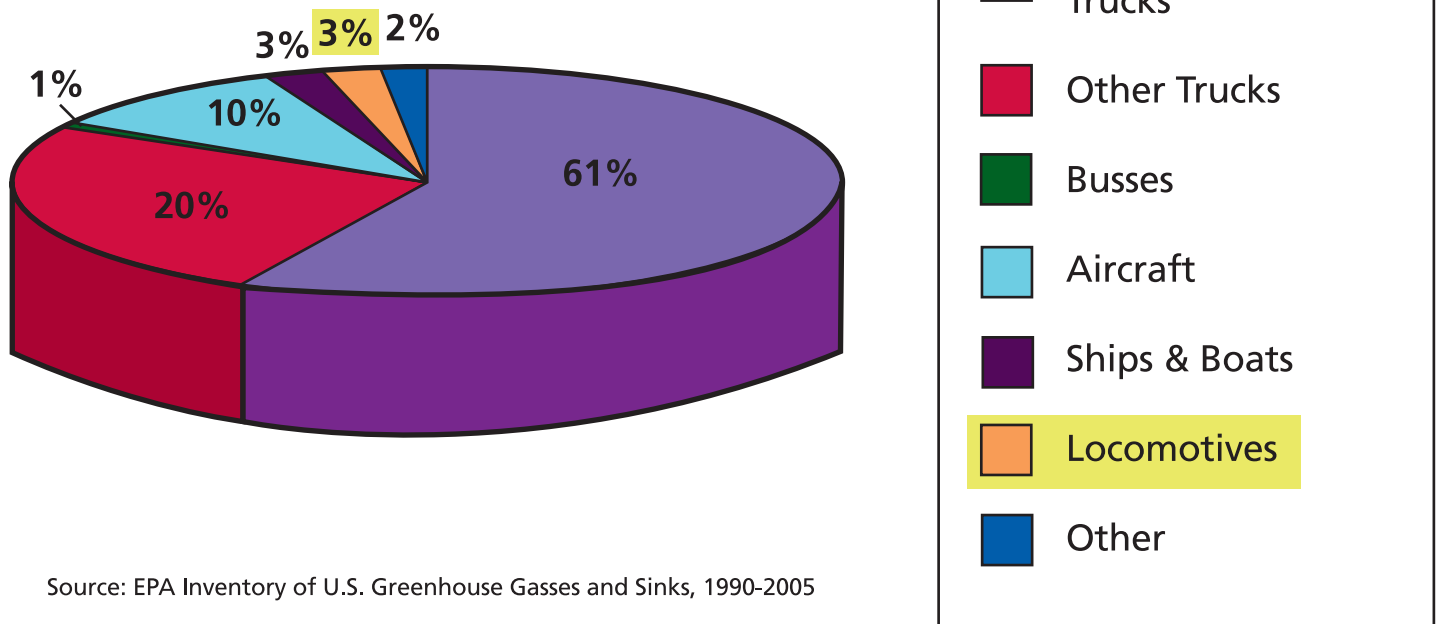


Figure 2. Transportation-related carbon dioxide emissions

Measuring Success

There are two KPIs that will trace our efforts to build a greener system:

- ❑ Ridership
- ❑ Cost per Available Seat Mile (CASM)

The growth of rail ridership and modal share is an object of national transportation policy. It will measure the effect we hope to exert on congestion and environmental issues, and will indicate the potential for improved economies of scale, distributed environmental impacts, and a generally beneficial impact on the congestion problem. Another important measure of our “greenness” will be the CASM. Because energy independence and energy efficiencies are major Amtrak aims, we expect that our policies will show a reduction in the use of energy and fuel — an achievement that will be reflected in favorable shifts in our cost structure.



Recycling is now a feature on Amtrak trains such as our Northeast Regional service, seen here.

Healthier

“We expect that the investments we make today will have enduring value; we will be realizing benefits from them for decades to come.”

Chief Operating Officer William Crosbie

Just as people feel healthy when they are fit, rested and vigorous, Amtrak’s health is reflected by a range of qualities that indicate the system is well-run and reliable. Providing passengers with everything from reliable train departures to satisfying meals helps us to improve indices such as ridership, revenue and customer satisfaction.

The first indicator of health is ridership. Growth in ridership is a major priority for Amtrak. Ridership provides healthier financial indicators and allows us to realize our potential for economies of scale. Growing ridership contributes to national needs such as:

- Congestion mitigation
- Emissions reductions
- Reduction in demand for foreign oil



Healthy and appetizing meals served in our dining and lounge cars are a vital component of a pleasant travel experience.

Ridership will not grow without reliable service, which can only be delivered by a well-functioning railroad. While state of good repair efforts sustain the infrastructure, Amtrak must also develop capacity for future growth. The Northeast Corridor Master Planning Process, which is a collaborative effort involving Amtrak and its state, commuter and freight partners, is developing a capital investment program to support state-of-good-repair improvements, capacity enhancements, and trip-time improvements.

The concept of state-of-good repair also extends to the modernization of information technologies and management systems — not only to replace outdated and aging systems, but also to realize the potential for revolutionary change that new systems offer. Amtrak is integrating several new information technology systems, a process that involves both the installation of new hardware and software and the wholesale adaptation and improvement of business processes. When this process is complete, Amtrak will have made a tremendous change, one that will allow for the automation

and digitization of processes that are currently handled by analog means, and in some cases, by hand. These changes will affect every aspect of the company, from timekeeping and ticket counting to inventory management and cost allocation. New systems will enrich the range of consumer choices, allowing customers to obtain tickets and train information through an expanded range of digital media. The reliability and scalability of mission-critical systems will improve to support Amtrak’s benchmarks for reliability and growth.



The replacement of the drawspan of the Thames River bridge in New London, Conn. was our signature capital project for 2008. It was complex and challenging, but we expect the new span (seen here just after installation) will extend the bridge's life for another century.

Finally, we will improve our on-time performance. Amtrak has always enjoyed a legal right-of-way on host railroads, and the handling our trains receive on other lines is a frequent source of delay. Because on-time performance is such a critical factor in the customer experience, it is a vital component of the health of our ridership and customer satisfaction. PRIIA has expanded our enforcement options, and Amtrak intends to employ the necessary means to enforce its statutory right to preference.

External Factors

Our plans call for growth in ridership and revenues, but growth is potentially vulnerable to a range of external economic forces. Poor economic conditions could continue to hinder growth. A worsening financial situation among freight carriers could lead to deterioration of the national rail network, and state budget cuts could lead to deterioration in commuter rail infrastructure. Even prosperity carries risks, for a boom in freight rail traffic could lead to decreases in on-time performance of Amtrak trains, if combined with poor dispatching practices.

Measuring Success

Amtrak uses five KPIs to measure our corporate health:

- ☐ Ridership
- ☐ Revenue per Available Seat Mile (RASM)
- ☐ On-Time Performance (OTP)
- ☐ Host railroad performance
- ☐ Passenger Miles per Core Employee

The seat-mile is our basic product, and RASM provides us with an indicator of our success in filling our trains — a key measure of corporate efficiency and national needs. The metrics related to on-time performance provide indices of reliability for specific trains and host railroads, allowing us to identify problems and target them for the appropriate solution. Train performance is a vital component of Amtrak's health; it correlates closely with customer satisfaction and provides us with an indication of our operating efficiency.

Improve Financial Performance

“The steel wheel on the steel rail is still the most efficient form of transportation in the world.”

Alfred E. Perlman
President of the New York Central,
Western Pacific and Penn Central Railroads

Amtrak is the national passenger rail transportation provider. It holds more than \$10 billion dollars in assets, and it earned \$2.4 billion in revenues in FY 2008. Over the last few years, the company has systematically reduced its debt from \$4.2 billion to \$2.9 billion. Amtrak recovered nearly 85 percent of its \$3.4 billion of operating expenses with revenues in FY 2008 (including income from ancillary businesses and state contracts). Comparable American passenger providers such as Metro-North Commuter Railroad, the Long Island Rail Road, and Metra generally recover between 40-60 percent of their operating costs from revenues.

While economic conditions have affected ridership in FY 2009, this is a temporary setback. Amtrak expects ridership to grow in the future and regards growth which takes advantage of the mode's natural economies of scale as the best way to improve financial performance. To ensure we maintain our appeal, we must show financial efficiency, transparency, and the ability to realize the desired public policy objectives with affordable and attractive service.

Two basic performance measures for Amtrak are costs and revenues per seat-mile. Amtrak generates a certain number of daily seat miles, which can be increased or decreased by fixed amounts as equipment is put into service or withdrawn. The necessities of daily operation require a fixed level of expenditure, and Amtrak must ensure that those expenses are kept low (consistent with the need to provide quality service) and that it maximizes the revenue generated by each seat.

Another key indicator of financial performance is the cost recovery ratio: the percentage of operating costs that are paid out of operating revenues. The company must aim to maximize this ratio to minimize the operating support need. Operating costs are an unavoidable component of any passenger rail operation, but the need to minimize those costs is important and reflects on the efficiency of the company.

While fixed costs comprise a substantial portion of total costs, variable costs are also important. Foremost among them is energy, which is significant and subject to fluctuations in price that Amtrak cannot control. Although strategies such as hedging are used to minimize the impact of price changes, the best strategy is cost minimization, and Amtrak has been working hard to reduce its energy needs. In addition to cost reductions, these measures will also reduce emissions and will therefore contribute to the larger national objectives of promoting energy independence and environmental quality.



Deputy Secretary Toby Fauver of the Pennsylvania DOT (L) with Joe McHugh (R), Amtrak's Vice President for Government Affairs and Corporate Communications at the Lancaster station groundbreaking. The Commonwealth of Pennsylvania has a strong and longstanding partnership with Amtrak and played a key role in the successful Keystone Corridor project.

Improve Financial Performance

External Factors

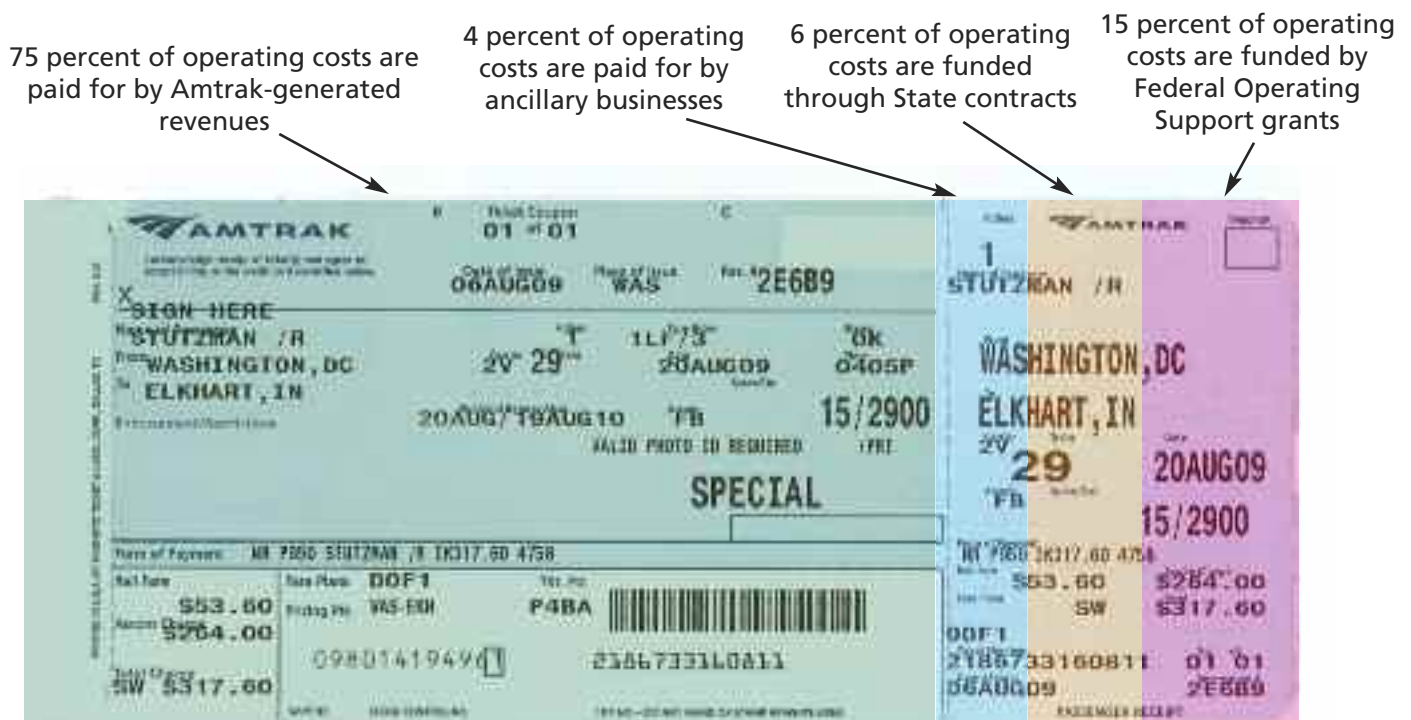
A financial performance goal is subject to a range of economic factors. For example, the phenomenon of rising prices coupled with low growth could increase costs without corresponding increases in net revenues. Oil costs are one potential cause. They could spike or grow gradually, causing inflationary pressures in other sectors and consuming revenues from rising ridership. State budgetary crises could limit operating support, hampering plans to expand or improve state-supported services.

Measuring Success

Financial success is measured by two KPIs:

- ❑ Cost Recovery Ratio (CRR)
- ❑ Cost per Available Seat Mile (CASM)

In analyzing our financial success, each of these indicators performs a distinct role. As we improve the ratio of earnings to costs, we will improve our CRR. CRR is a widely accepted measure of financial performance in the transit industry, and is an excellent efficiency measure for a company with Amtrak's mission and purpose. CASM measures the money that is spent to generate our basic unit of commerce, the seat mile. It provides us with a ready comparison of costs and relates those costs to the number of products we generate. These measures will provide Amtrak with a clear indication of the details of costs, their relation to revenues and the overall efficiency of our operation, and provide an indicator that can be compared to those generated by other transit and transportation providers.



How is the national rail ticket paid for? The answer is that it is paid for by the people and the state partners who use our service. Amtrak's Cost Recovery Ratio (CRR) is 81 percent (ancillary businesses are not included in CRR, although state contracts are) — only 15 percent of our expenses are paid with Federal operating support funds.

Improve Customer Service

“We are trying to think of travel not just in terms of a rail trip, but in terms of the passenger’s journey. People don’t wake up at 5 a.m. to ride an Amtrak train; they wake up early to get to a meeting in Philadelphia.”

Board Vice-Chair Donna McLean

Amtrak must always be customer-focused. Customers always have choices, and they return only when satisfied. We must be welcoming and courteous, and we must provide efficient and reliable service.

Each of us can recognize good customer service, and we should strive to provide the service that we demand when we travel or shop. We must perform our work on the railroad with the same attention to safety, quality, finish and thoroughness that we would ourselves hope and expect to receive from someone in a business transaction. Every aspect of our service must be clean, safe, reliable, attractive and comfortable and must provide the rich experience that consumers demand. We must also provide seamless connectivity with effective intermodal partners. This will allow for more convenient connections and shorter trip times, and Amtrak will work with transit authorities and municipalities to create and improve intermodal connectivity. If we can provide these qualities and offer service that is trip-time competitive with other modes, Amtrak will improve its financial position and address the nation’s public policy needs.

Accessibility is a key component of customer satisfaction, and it is becoming a competitive advantage for Amtrak. We value our passengers with disabilities, and we know they rely principally on us to provide a dignified and accessible transportation choice. We are proud to serve them, and in Amtrak’s continuing

effort to improve our accessibility, we have instituted a Mobility First program to create barrier-free pathways so mobility-impaired customers can access trains. At this time, 73 percent of our stations, serving 94 percent of our passengers, are accessible to passengers in wheelchairs. The ADA requires that Amtrak make all intercity passenger rail stations “readily accessible to and usable by individuals with disabilities, including individuals who use wheelchairs” by July 2010. Despite significant improvements in accessibility and ADA compliance, Amtrak will not meet this deadline for full compliance and has asked Congress to extend it.

Amtrak has requested additional funding for ADA compliance efforts since 2005.

Estimates for the total cost vary, depending on the scope of the

required improvements and Amtrak’s share of the responsibility for implementing them. We presented our plan to achieve full ADA compliance and an estimate of Amtrak’s funding needs to the Congress on



Passengers with disabilities are important customers and Amtrak is determined to ensure our system is fully accessible to all who wish to ride.

Improve Customer Service

Feb. 1, 2009, when it submitted a report on “Intercity Rail Stations Served by Amtrak: A Report on Accessibility and Compliance with the Americans With Disabilities Act of 1990.”



Milwaukee Airport Rail Station is a key intermodal hub in the Midwest. Intermodal stations like this one are a vital component of journey planning.

Amtrak will work with Congress to secure funding and revise the compliance date. Amtrak is investing \$40 million in ARRA funds to improve compliance standards at more than 200 stations. While these measures will address the most pressing accessibility needs, the Amtrak system requires additional improvements that will facilitate station access and increase utility for all passengers. Finally, we must continue to realize economical improvements to trip times. Where high speeds are necessary for competitiveness, we will work with states, host railroads and the FRA to develop and improve top speeds, but we should not miss the opportunities to improve trip times by reducing stretches of low-speed track.

Resources

The ARRA provides approximately \$8 billion in capital funding for high-speed rail, intercity passenger rail and congestion relief grant programs. Amtrak can partner with states and freight railroads to apply for a grant, and as an “eligible entity,” it can also apply directly for grant funding. FRA grant awards for the first round of project funding will be announced by the end of 2009; the deadline for program completion will be September 30, 2017.

Measuring Success

While customer service improvements will naturally include such essential tasks as ADA compliance, improved amenities, interconnectivity, trip-time improvements and other travel-easing measures, we will measure the overall effect of our policies on customer satisfaction through three KPIs:

- ☐ Ridership
- ☐ Customer Satisfaction Index (CSI)
- ☐ On-Time Performance (OTP)

The first two KPIs will generally reflect changes in customer satisfaction, and we would therefore expect them to provide us with an indicator of our performance. On-time performance correlates strongly with customer satisfaction, and is a leading indicator, giving us a warning that will allow management to identify and correct problems before they lead to drops in CSI and ridership.



Customer satisfaction is the basis for our business. Timely, comfortable, safe, and secure – every time.

Meet National Needs

“After 9-11, the only thing functioning was this rail system!”

Vice President Joe Biden

We are America’s railroad. Amtrak was created by Congress to provide an essential national service. We therefore have the support and advancement of national transportation needs and policies as a primary mission. More intercity and higher speed passenger rail will become an important element of a balanced national transportation network, and an even more critical responder to national security and emergency needs. Moreover, a rational transportation policy that selects for results will support national strategies for congestion relief, energy independence and environmental improvement.

To realize this vision, PRIIA envisions improvements to intercity passenger service funded by Federal capital investments and state operating support programs. PRIIA also requires full-scale partnership with other entities such as host railroads, governments and public authorities if the intent of the legislation is to be realized. PRIIA mandates many significant improvements to Amtrak’s business processes, and we will strive to meet both the letter and the spirit of the law. Amtrak recognizes the oversight and transparency provisions of PRIIA, and we will work with Congress and the relevant Federal agencies to ensure that the timelines and requirements are met.

Safety and security are also important parts of the service we provide. Amtrak is responsible for safeguarding its passengers and infrastructure and it has undertaken a vigorous security improvement plan. Our K-9 program has grown from 13 teams to 46, and we have successfully implemented a randomized passenger baggage screening program; fully 90 percent of Acela departures and 50 percent of Northeast Regional and long-distance train boardings include a screening. We have completed a comprehensive risk analysis of critical infrastructure and key resources for the entire 46 state intercity passenger rail system. As part of its 444 person police force, Amtrak now fields a special operations capability and mobile response teams, and we have trained over 12,500 front line employees on security awareness and terrorism risk mitigation.

Historically, railroads have always played a major role in national emergencies and moments of crisis. Amtrak has an important mission to provide support to disaster relief missions and national emergencies. Amtrak has maintained an agreement with the Department of Defense for the transport of troops since 1991, and it currently maintains agreements with the Federal Emergency Management Administration for support of evacuation and disaster relief efforts. These agreements were put to the test in August 2008, when Hurricane Gustav approached the Gulf Coast. In response to a FEMA notification, Amtrak organized evacuation trains to move 2,022 people with critical transportation needs from New Orleans to Memphis, a FEMA-designated evacuation center. This successful operation provided us with an example of the flexibility and surge capabilities inherent in the national network and fleet, and provided our Operations Department with valuable experience in the conduct of a successful evacuation operation.

Officers of Amtrak’s K-9 unit stand with their dogs in front of Washington Union Station.



Meet National Needs

Measuring Success

Amtrak will support the program of intercity and high-speed rail development, and will provide partner states with the advice and expert analysis they will need to produce their rail plans, policies, and developmental proposals. We will bring our expertise, our workforce, our knowledge and our dedication to bear on partnership projects so that we can help to realize the vision for expansion of high-speed rail in America.

Because relief and support missions tend by their very nature to be sudden, urgent, and immediate needs, they are hard to anticipate and harder to evaluate. The real solution is preparedness, and Amtrak will be prepared to assist the government at moments of urgent national need. We will do this by bringing our infrastructure and equipment to a state of good repair, investing in the capabilities and the people needed to provide resilience, and building and sustaining the ability to operate a safe and secure system.

Amtrak will continue to implement a Transit Security Grant Program as well as the ARRA-funded safety, security, infrastructure and life safety projects designed to improve the safety and resilience of the intercity passenger rail network. We will ensure that these projects are managed carefully and that the public funds are put to work in the manner that best provides an effective level of protection to our passengers and employees.



Amtrak demonstrated the flexibility and utility of rail for large scale emergencies in 2008, when cars were speedily redeployed from daily revenue service to evacuate New Orleans ahead of the anticipated landfall of Hurricane Gustav.



Volunteers and Amtrak staff use a wheelchair lift to load a mobility-impaired passenger aboard an evacuation train at New Orleans Union Passenger Terminal.

Notes

Notes

Amtrak's Corporate Goals

As we partner with states to develop intercity passenger rail service, we must make the plans and investments that will support our goals. These goals are:

SAFER: Operate the safest passenger railroad possible.

GREENER: Increase efficiency, reduce emissions, and make better use of resources.

HEALTHIER: Improve the condition, durability, and wholesomeness of every aspect of the company.

IMPROVE FINANCIAL PERFORMANCE: Improve our bottom line.

IMPROVE CUSTOMER SERVICE: Improve the quality and attractiveness of our service.

MEET NATIONAL NEEDS: Be there to help with disaster relief and mobilization efforts, and help advance national policies and plans.

Each goal is associated with one or more Key Performance Indicators (KPIs). An efficient, high quality service that contributes to the attainment of these goals will show a favorable effect on the KPIs. We will invest in infrastructure and equipment to develop each of our three Business Lines, and we will analyze routes, Business Lines, and the Amtrak system to ensure that we are providing the vital national service America needs in an economical and efficient manner.

A Closing Note From Mr. Boardman

Now that you have had the chance to read this document, I hope you have a better sense of the moment we are in and the opportunities and challenges we face. Last fall, Congress passed the first serious rail plan in a generation. With PRIIA, the rulebook that has governed passenger rail transportation for decades was rewritten. Now we are presented with the greatest opportunity in our history. Our work will span many fronts. We must work with our state, labor and freight partners to develop the services our country needs, and we cannot waste a second — make no mistake, our piece of the transportation market has changed, and this document is designed to define the moment we are in and outline the opportunities we will pursue to advance our company.

We will have processes available to measure ourselves - they are outlined in this document - but most people, including myself, judge how well a company does by what they see, how they feel, and how they are treated. We can have the best strategy in the world, but if we don't accept it, own it, and live it, it is simply a hollow gesture. We can't let that happen, so I would ask each of you to think about what is expressed in these pages. We must all understand our new mission if it's going to be a success, and I want you to pass your comments on to your supervisors and to me. I get advice from employees all the time, so I won't be surprised or upset to hear from you. Amtrak's strategy is your strategy, too. We can't carry it out without your work, and we don't want to try to carry it out without your support.

Clear goals are important to an organization; they let everyone know what they need to do. Values are just as important, because they are the definitive statement about how we are going to do it. Good companies set challenging but attainable goals and they promote strong values. Our product depends on our strategy, our strategy depends on our values, and our values depend on us; if we live and act in accordance with them, we will produce the travel experience our customers are paying for. Each of us is an ambassador to our partners and to our passengers. Whenever you talk to them, remember that you have a chance to advance our goals. Our product depends on each of you. Let these goals and values be your guide, so that we are all working together to make Amtrak a stronger company.

President and CEO Joe Boardman



Amtrak is a registered service mark of the National Railroad Passenger Corporation.



America's Intercity Passenger Rail Provider

Amtrak Headquarters
60 Massachusetts Avenue, N.E.
Washington, D.C. 20002

Amtrak.com

